

DREYFUS MUNICIPAL INCOME INC  
Form 40-17F2  
December 21, 2006

Report of Independent Registered Public Accounting Firm

To the Board of Directors  
Dreyfus Municipal Income Inc.

We have examined management's assertion about Dreyfus Municipal Income Inc.'s (the "Company") compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 ("the Act") as of September 30, 2006, with respect to securities and similar investments reflected in the investment account of the Company, included in the accompanying Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940. Management is responsible for the Company's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the Company's compliance based on our examination.

Our examination was made in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States) and accordingly, included examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. Included among our procedures were the following tests performed as of September 30, 2006, and with respect to agreement of security and similar investments purchases and sales, for the period from August 31, 2006 (the date of last examination) through September 30, 2006;

Count and inspection of all securities and similar investments located in the vault of Mellon Bank in New York, without prior notice to management;

Confirmation of all securities and similar investments held by institutions in book entry form (i.e., the Federal Reserve Bank of Boston, the Depository Trust Company and the Participant Trust Company);

Reconciliation of confirmation results as to all such securities and investments to the books and records of the Company and Mellon Bank;

Confirmation of all repurchase agreements, if any, with brokers/banks and agreement of underlying collateral with Mellon Bank's records;

We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Company's compliance with specified requirements.

In our opinion, management's assertion that Dreyfus Municipal Income Inc.

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was in compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of September 30, 2006 with respect to securities and similar investments reflected in the investment account of the Company is fairly stated, in all material respects.

This report is intended solely for the information and use of management of Dreyfus Municipal Income Inc. and the Securities and Exchange Commission and should not be used for any other purpose.

ERNST & YOUNG LLP

New York, New York  
December 8, 2006

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-17f-2

Certificate of Accounting or Securities and Similar  
Investments in the Custody of  
Management Investment Companies

Pursuant to Rule 17f-2 [17 CFR 270.17f-2]

1. Investment Company Act File      Date examination  
Number:                              completed:  
811- 5652                              December 8, 2006

2. State Identification Number:

|    |    |    |        |    |    |
|----|----|----|--------|----|----|
| AL | AK | AZ | AR     | CA | CO |
| CT | DE | DC | FL     | GA | HI |
| ID | IL | IN | IA     | KS | KY |
| LA | ME | MD | MA     | MI | MN |
| MS | MO | MI | NE     | NV | NH |
| NJ | NM | NY | NC     | ND | OH |
| OK | OR | PA | RI     | SC | SD |
| TN | TX | UT | VT     | VA | WA |
| WV | WI | WY | PUERTO |    |    |
|    |    |    | RICO   |    |    |

Other  
Specify:

3. Exact name of investment company as specified in  
registration statement:

4. Address of principal executive office: (number,  
street, city, state, zip code) 200 Park Avenue,  
55th Floor , New York, NY 10166

INSTRUCTIONS

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The Form must be completed by investment companies that have custody of securities or similar investments

### Investment Company

1. All items must be completed by the investment company.
2. Give this Form to the independent public accountant who, in compliance with Rule 17f-2 under the Act and applicable state law, examine securities and similar investments in the custody of the investment company.

### Accountant

3. Submit this Form to the Securities and Exchange Commission and appropriate state securities administrators when filing the certificate of accounting required by Rule 17f-2 under the Act and applicable state law. File the original and one copy with the Securities and Exchange Commission's principal office in Washington D.C., one copy with the regional office for the region in which the investment company's principal business operations are conducted, and one copy with the appropriate state administrator(s), if applicable.

THIS FORM MUST BE GIVEN TO YOUR  
INDEPENDENT PUBLIC ACCOUNTANT

### Management Statement Regarding Compliance with Certain Provisions of the Investment Company Act of 1940

We, as members of management of Dreyfus Municipal Income Inc. (the "Company"), are responsible for complying with the requirements of subsections (b) and (c) of Rule 17f-2, "Custody of Investments by Registered Management Investment Companies," of the Investment Company Act of 1940. We are also responsible for establishing and maintaining effective controls over compliance with those requirements. We have performed an evaluation of the Company's compliance with the requirements of subsections (b) and (c) of Rule 17f-2 as of September 30, 2006.

Based on this evaluation, we assert that the Company was in compliance with the requirements of subsections (b) and (c) of Rule 17f-2 of the Investment Company Act of 1940 as of September 30, 2006 with respect to securities and similar investments reflected in the investment account of the Company.

Dreyfus Municipal Income Inc.

By:

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/s/Jim Windels  
Jim Windels,  
Treasurer  
The Dreyfus Corporation